

Message Text

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17

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PA-01 PRS-01 /105 W

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P 070313Z SEP 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9862

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USADB

FOR NAC AGENCIES

E O 11652: ADS, DECLAS 9/7/77

TAGS: EAID, EFIN

SUBJ: MEMBERSHIP OF SOCIALIST REPUBLIC OF VIET NAM

REF: (A) MANILA 13505, (B) MANILA 12295

SUMMARY: ADB PRESIDENT PROPOSES THAT BANK RESPOND FAVORABLY TO INITIATIVE TAKEN BY SOCIALIST REPUBLIC OF VIET NAM (SRVN) TO EFFECT THAT, AS FROM JULY 2, 1976, BANK ACCEPT CONTINUATION BY SRVN OF MEMBERSHIP OF FORMER REPUBLIC OF SOUTH VIET NAM, TOGETHER WITH RIGHTS AND OBLIGATIONS ARISING OUT OF THAT MEMBERSHIP. NAC GUIDANCE IS REQUESTED. END SUMMARY.

1. ADB DOC R93-76 ON ABOVE SUBJECT WAS POUCHED SEPTEMBER 7 AND IS SCHEDULED FOR CONSIDERATION BY BOARD OF DIRECTORS SEPTEMBER 23, OR AFTER DISCUSSION BY INTERNATIONAL MONETARY FUND BOARD SCHEDULED FOR SEPTEMBER 15.

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2. ON JULY 20, PRESIDENT RECEIVED CABLE FROM SRVN'S MINISTER

OF FOREIGN AFFAIRS (REF B) INFORMING THAT ON JULY 2, 1976 SRVN HAD BEEN CONSTITUTED AS SINGLE UNIFIED STATE AND THAT SRVN CONTINUES STATUS OF FORMER REPUBLIC OF SOUTH VIET NAM AS MEMBER OF ADB. BETWEEN AUGUST 13 AND SEPTEMBER 1 BANK RECEIVED SEVERAL FURTHER CABLES FROM DIRECTOR-GENERAL AND DEPUTY DIRECTOR-GENERAL OF STATE BANK OF VIET NAM (REF A) WHICH STATE THAT:

(A) EFFECTIVE JULY 2, 1976 SRVN IS MEMBER OF BANK AND ARTICLES OF AGREEMENT ARE LEGALLY BINDING ON SRVN;

(B) STATE BANK OF VIETNAM HAS BEEN DESIGNATED AS CHANNEL OF COMMUNICATIONS AND DEPOSITORY OF ALL BANK HOLDINGS OF SRVN CURRENCY, AND ASSETS OF FORMER NATIONAL BANK OF VIET NAM ARE TO BE TRANSFERRED TO STATE BANK, WHICH HAS AGREED TO ASSUME FORMER'S OBLIGATIONS AND LIABILITIES;

(C) A GOVERNOR AND ALTERNATE GOVERNOR HAS BEEN APPOINTED TO REPRESENT SRVN ON BANK'S BOARD OF GOVERNORS; AND

(D) AS FROM JULY 2, SRVN ASSUMES FULL RESPONSIBILITY, AS BORROWER, UNDER LOANS PREVIOUSLY MADE BY BANK FOR BENEFIT OF SOUTH VIET NAM.

3. ADB DOC R93-76 SUMMARIZES BANK'S RELATIONS WITH VIET NAM SINCE 1966 AND RECENT CONSTITUTIONAL EVENTS IN THAT COUNTRY. IT ALSO INCLUDES OPINION OF ADB GENERAL COUNSEL TO EFFECT THAT IT WOULD NOT BE INCONSISTENT WITH ARTICLES OF AGREEMENT OR RELEVANT PRINCIPLES OF INTERNATIONAL LAW TO ACCEPT CONTINUATION BY SRVN OF MEMBERSHIP OF FORMER REPUBLIC OF SOUTH VIET NAM, TOGETHER WITH RIGHTS AND OBLIGATIONS ARISING OUT OF THAT MEMBERSHIP; THAT THERE ARE PRECEDENTS FOR SUCH CONTINUATION IN PRACTICE OF OTHER COMPARABLE ORGANIZATIONS (E.G., EGYPT/SYRIA AND TANGANYIKA/ZANZIBAR SITUATIONS IN IMF AND IBRD); AND THAT THERE ARE STRONG PRACTICAL REASONS IN FAVOR OF THIS APPROACH.

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4. BANK MANAGEMENT CONSIDERS IT IS NECESSARY AS SOON AS POSSIBLE FOR BANK TO FORMULATE ITS POSITION ON MATTERS DEALT WITH IN COMMUNICATIONS RECEIVED FROM SRVN AND TO SEND APPROPRIATE RESPONSE. SUBJECT TO AN APPROPRIATE CONFIRMATION IN WRITING OF CONTENTS OF CABLES RECEIVED FROM RELEVANT SRVN OFFICIALS, ADB PRESIDENT RECOMMENDS THAT BOARD OF DIRECTORS AUTHORIZE, WITH EFFECT FROM JULY 2, 1976, SUBSTITUTION OF SRVN AS (A) MEMBER AND

HOLDER OF 3,000 SHARES OF BANK'S CAPITAL STOCK IN PLACE OF REPUBLIC OF VIET NAM; AND (B) BORROWER OF ALL LOANS PREVIOUSLY MADE TO REPUBLIC OF VIET NAM.

5. ADB DOC R93-76 CONCLUDES BY NOTING THAT ONE PRIORITY MATTER WHICH MUST BE TAKEN UP WITH SRVN THEREAFTER IS PROMPT RESUMPTION OF SERVICING OF LOANS FOR WHICH SRVN HAS NOW ASSUMED FULL RESPONSIBILITIES. (AS OF JUNE 20, 1976, OUTSTANDING LOAN SERVICE PAYMENTS TOTALLED \$166,042.19 AND PRINCIPAL PAYMENTS \$52,169.77 OR GRAND TOTAL OF \$218,211.96.) DOCUMENT NOTES THAT IT WILL ALSO BE NECESSARY TO DESPATCH AN OPERATIONAL MISSION TO VIET NAM TO REVIEW WITH VIETNAMESE AUTHORITIES ON FIRST-HAND BASIS CURRENT STATUS OF ALL PROJECTS IN WHICH BANK IS INTERESTED, AS WELL AS TO UPDATE BANK'S INFORMATION ON PRESENT AND PROSPECTIVE ECONOMIC AND ADMINISTRATIVE SITUATION IN UNIFIRED VIET NAM.

6. NAC GUIDANCE IS REQUESTED.
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